

Message Text

UNCLASSIFIED

PAGE 01 TOKYO 06270 01 OF 03 131412Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGRE-00 /139 W
-----122226 131415Z /43/15

P 120823Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6997
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME

UNCLAS SECTION 01 OF 03 TOKYO 06270

C O R R E C T E D C O P Y (TEXT PARA 4)

USEEC

USOECN ALSO FOR EMBASSY

E.O. 11652: N/A/
TAGS: EFIN, JA
SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - APRIL 6-12

1. SUMMARY: ECONOMIC PLANNING AGENCY (EPA) MONTHLY RE-
PORT SEES FURTHER SIGNS OF IMPROVING ECONOMIC SITUATION
BUT WORRIES ABOUT EFFECTS OF RENEWED YEN APPRECIATION.
BANK OF JAPAN (BOJ) MONTHLY REPORT SAYS ECONOMY HAS SO FAR
COPE BETTER THAN EXPECTED WITH THE HIGH YEN BUT BOJ
HESITATES TO SAY A PICKUP IN ACTIVITY IS IN SIGHT.
MINISTRY OF FINANCE (MOF) VICE MINISTER FOR INTERNATIONAL
AFFAIRS MATSUKAWA PLAYS UP BENEFICIAL EFFECTS OF RISING
UNCLASSIFIED

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PAGE 02 TOKYO 06270 01 OF 03 131412Z

YEN. TARGET FOR FIRST HALF PUBLIC WORKS CONTRACTING
BOOSTED. NEW STATISTICS SHOW MACHINERY ORDERS UP STRONGLY
IN FEB AS WERE NEW CAR REGISTRATIONS IN MARCH. MARCH
BANKRUPTCIES WERE DOWN FROM YEAR-EARLIER LEVEL. MONEY
SUPPLY GROWTH WAS MODERATE IN MARCH, UNDER 1 PCT. SEARS
MAY ISSUE FIRST FOREIGN PRIVATE YEN BOND ISSUE. END
SUMMARY.

2. EPA IN ITS MONTHLY ECONOMIC REPORT RELEASED APRIL 7 PAINTED A BRIGHTER PICTURE THAN IN ITS PREVIOUS REPORT, THOUGH IT EXPRESSED CONCERN ABOUT THE ADVERSE IMPACT OF THE SHARP YEN APPRECIATION. THE APRIL EPA REPORT HIGHLIGHTED SIGNS OF RECOVERY IN INDUSTRIAL PRODUCTION AND SHIPMENTS. A SENIOR EPA OFFICIAL WAS REPORTED TO HAVE TOLD THE CABINET APRIL 7 THAT INVENTORY ADJUSTMENT HAS BEEN SUBSTANTIALLY COMPLETED EXCEPT FOR A FEW INDUSTRIES. THE LATEST EPA REPORT STRESSED THAT STIMULATION INJECTED THROUGH ACCELERATED PUBLIC WORKS SPENDING HAS BEEN SPREADING OVER WIDER SECTORS OF THE NATION'S ECONOMY. HOUSING CONSTRUCTION STARTS AND PRIVATE NEW CONSTRUCTION ORDERS REBOUNDED EARLY THIS YEAR AND NEW MACHINERY ORDERS HAVE BEEN RISING STRONGLY IN RECENT MONTHS. HOWEVER, WITH THE CURRENT ACCOUNT BALANCE STILL IN SUBSTANTIAL SURPLUS, THE YEN HAS STRENGTHENED AGAINST THE DOLLAR. THE APRIL EPA REPORT NOTED THAT DESPITE THE ENCOURAGING TRENDS, FINAL DOMESTIC DEMAND REMAINS SLUGGISH. CONSUMER SPENDING HAS BEEN RISING ONLY MODESTLY AND EMPLOYMENT SITUATION HAS SHOWN NO SIGN OF IMPROVEMENT.

3. BANK OF JAPAN MONTHLY REPORT RELEASED SAME DAY, APRIL 7, WAS MORE CAUTIOUS AND LESS UPBEAT THAN THE EPA REPORT. BOJ MONTHLY REPORT SAID THAT JAPANESE BUSINESS HAS REACTED CALMLY TO THE YEN APPRECIATION THIS TIME AS COMPARED WITH UNCLASSIFIED

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PAGE 03 TOKYO 06270 01 OF 03 131412Z

LAST FALL. BOJ POINTED OUT SEVERAL REASONS WHY ADVERSE EFFECTS OF THE YEN APPRECIATION HAVE SO FAR BEEN LESS THAN HAD BEEN FEARED: (1) JAPANESE EXPORTERS HAVE SUCCEEDED IN PASSING ON SOME OF THE YEN APPRECIATION TO THEIR EXPORT DOLLAR PRICES, (2) BUSINESS HAS BEEN COPING WITH THE SITUATION BY CUTTING THEIR COSTS, AND (3) THE YEN APPRECIATION HAS MERITS, SUCH AS LOWER COSTS FOR IMPORTED RAW MATERIALS. BOJ CAUTIONED IT WAS STILL TOO EARLY TO TIME THE COMPLETION OF THE INVENTORY ADJUSTMENT, SAYING THAT THE RECENT PROGRESS OF INVENTORY ADJUSTMENT WAS NOT BASED ON THE RECOVERY OF PRIVATE DEMAND, BUT RATHER RESULTED FROM PRODUCTION CUTBACKS OR GOVT STIMULUS.

4. IN A SPEECH TO TOKYO BUSINESSMEN ON APRIL 11, MOF VICE MINISTER FOR INTERNATIONAL AFFAIRS MATSUKAWA REPORTEDLY DISCOUNTED THE WIDELY HELD VIEW THAT RECENT YEN APPRECIATION WILL WORSEN ECONOMIC ACTIVITY. MATSUKAWA STRESSED THAT THOUGH INDIVIDUAL INDUSTRIES WERE HURT, AT THE MACRO LEVEL THERE WERE GAINS FROM CHEAPER IMPORTS. HE WENT ON TO SAY THAT THE YEN APPRECIATION WAS BEING USED AS A WHIPPING BOY FOR THE CURRENT MALAISE WHILE IN FACT THE ROOT CAUSE WAS THE ENERGY CRISIS. EPA OFFICIALS WERE

REPORTEDLY CRITICAL OF THE MATSUKAWA SPEECH, SAYING THAT
IT GLOSSED OVER THE ADVERSE EFFECTS OF YEN APPRECIATION.

5. CABINET MINISTERS OFFICIALLY AGREED APRIL 7 UPON
FURTHER ACCELERATION OF PUBLIC WORKS SPENDING DURING
THE FIRST HALF OF FY 78. THE NEW GOAL FOR CONTRACTING
DURING THE FIRST SIX MONTHS OF THE YEAR WAS RAISED TO 73
PCT OF ALL BUDGETED PUBLIC WORKS OUTLAYS, THE SAME TARGET
SET LAST YEAR. THIS REPRESENTS AN INCREASE FROM THE PRE-
LIMINARY GOAL SET EARLIER OF 70 PCT. PLANNED OUTLAYS ARE
SET AT YEN 11.8 TRILLION IN FY 78 (\$54 BIL APPROXIMATELY)
OR 18.4 PCT LARGER THAN IN FY 77.

6. NEW PRIVATE MACHINERY ORDERS, S.A., ROSE STRONGLY IN
UNCLASSIFIED

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PAGE 04 TOKYO 06270 01 OF 03 131412Z

UNCLASSIFIED

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PAGE 01 TOKYO 06270 02 OF 03 121005Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGRE-00 /139 W
-----095676 121009Z /15

P 120823Z APR 78
FM AMEMBASSY TOKYO
TO SECSTATE WASHDC PRIORITY 6998
TREASURY/DEP WASHDC PRIORITY
INFO AMEMBASSY BONN
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UNCLAS SECTION 02 OF 03 TOKYO 06270

FEB, RECORDING THE THIRD STRAIGHT MONTH OF ADVANCE. ORDERS
PLACED BY GOVT AND PUBLIC AGENCIES, HOWEVER, FELL IN FEB
AFTER THE SUBSTANTIAL ACCELERATION IN THE PRECEDING TWO

MONTHS. THE FEB CONTINUING STRENGTH IN PRIVATE NEW MACHINERY ORDERS WAS ATTRIBUTABLE BOTH TO MANUFACTURING AND NON-MANUFACTURING INDUSTRIES. MACHINERY ORDERS PLACED BY THE ELECTRIC POWER INDUSTRY DECLINED FOR THE SECOND STRAIGHT MONTH IN FEB.

NEW MACHINERY ORDERS, S.A. (IN BIL YEN; PCT CHANGE FROM PRIOR MONTH IN PAREN)

-	PRIVATE ORDERS EXCLUDING GOVT AND PUBLIC	
-	SHIPS (JEI 337)	ORDERS (JEI 335)
1977:DEC	240.8 (3.5)	103.6 (44.4)
1978:JAN	255.0 (5.9)	128.2 (23.7)
- FEB	261.9 (2.7)	118.2 (-7.8)

UNCLASSIFIED

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PAGE 02 TOKYO 06270 02 OF 03 121005Z

7. NEW CAR REGISTRATIONS IN MARCH, S.A., CONTINUED TO RISE STRONGLY WITH RATE OF ADVANCE ACCELERATING RAPIDLY FROM FEB. MARCH NEW CAR SALES INCREASED 21.8 PCT OVER THE PRIOR MONTH'S LEVEL (S.A.) ON TOP OF THE 10.6 PCT ADVANCE IN FEB. MARCH 78 NEW CAR SALES WERE UP 13.0 PCT OVER THE YEAR EARLIER LEVEL.

NEW CAR REGISTRATIONS, S.A.

- THOUSAND CARS PCT CHANGE FROM PRIOR MONTH

JAN	199.1	- 2.4
FEB	220.1	10.6
MAR	268.2	21.8

8. BANKRUPTCIES, N.S.A., ROSE IN MARCH OVER THE PRIOR MONTH'S LEVEL, PRIMARILY REFLECTING A SEASONAL UPSWING. BANKTUPCIES REMAINED BELOW THE YEAR-EARLIER LEVEL BY MORE THAN 10 PCT FOR THE THIRD STRAIGHT MONTH IN MARCH. THE TWO PRIVATE RESEARCH ORGANIZATIONS WHICH COLLECT STATISTICS PLACED BANKRUPTCY CASES IN MARCH AT 1,517-1,518, N.S.A., UP 25 PCT OVER THE PRIOR MONTH'S LEVEL. THE LIABILITIES OF BUSINESS FIRMS DECLARING BANKRUPTCIES, HOWEVER, DECLINED SHARPLY TO \$1,110 MIL EQUIVALENT, LESS THAN ONE HALF OF THE LIABILITIES DECLARED IN FEB, WHICH WERE SWOLLEN BY THE EIDAI CASE. ON YEAR-OVER-YEAR COMPARISON, THE NUMBER OF BANKRUPTCY CASES AND THE LIABILITIES DECLARED IN MARCH 78 WERE BELOW THE YEAR-EARLIER LEVEL BY 11 PCT AND 8 PCT, RESPECTIVELY.

9. GROWTH IN MONEY SUPPLY, S.A., SHOWED A MODERATE RECOVERY IN FEB FROM THE UNUSUALLY SLOW ADVANCE IN JAN. NARROWLY DEFINED MONEY SUPPLY, M-1, ROSE 0.3 PCT IN FEB,

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 06270 02 OF 03 121005Z

OFFSETTING THE DECLINE IN THE PRIOR MONTH. BROADLY
DEFINED MONEY SUPPLY, M-2, AND BANK LOANS AND DISCOUNTS
CONTINUED TO RISE MODERATELY WITH RATE OF ADVANCE ACCELER-
ATING FROM THE PRIOR MONTH.

MONEY AND CREDIT, END OF MONTH (IN BIL YEN; PCT CHANGE
FROM PRIOR MONTH IN PAREN)

- M-1 M-2 M-3 BANK LOANS AND
- (JEI 123) (JEI 126) (N/A) DISCOUNTS (JEI
- 133)

1977:DEC 57,097 153,558 233,156 106,832
- (1.7) (0.9) (1.0) (0.9)

1978:JAN 56,902 154,504 235,092 107,376
- (-0.3) (0.6) (0.8) (0.5)

1978:FEB 57,070 155,894 237,232 108,205
- (0.3) (0.9) (0.9) (0.8)

FACTORS CONTRIBUTING TO CHANGES IN M-2 (N.S.A.) NOT YET
AVAILABLE.

10. CALL MONEY RATES CHANGED TWICE IN MARCH, INCREASING BY
0.125 PERCENTAGE POINTS ON MARCH 2 AND THEN FALLING BY 0.75
PERCENTAGE POINTS TO 4.25 PCT PER ANNUM (UNCONDITIONAL)
ON MARCH 16. AVERAGE CALL MONEY RATE (JEI 178) DECLINED
TO 4.62 PCT PER ANNUM IN MARCH FROM 4.804 PCT IN FEB.
BILL DISCOUNT RATE HAS ALSO BEEN LOWERED BY 0.75 PER-
CENTAGE POINTS TO 4.5 PCT PER ANNUM, EFFECTIVE MARCH 16.

UNCLASSIFIED

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PAGE 01 TOKYO 06270 03 OF 03 120932Z
ACTION EA-12

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 XMB-04 OPIC-06 SP-02
LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07 CEA-01
L-03 H-02 PA-02 DOE-15 SOE-02 AGREE-00 /139 W

-----095343 120940Z /15

P 120823Z APR 78

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC PRIORITY 6999

TREASURY/DEP WASHDC PRIORITY

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

UNCLAS SECTION 03 OF 03 TOKYO 06270

11. NIHON KEIZAI DATED APRIL 1 REPORTED THAT SEARS ROEBUCK MAY BECOME THE FIRST FOREIGN PRIVATE ENTERPRISE AUTHORIZED TO ISSUE YEN BONDS. ACCORDING TO THE PRESS REPORT, SEARS ROEBUCK HAS ALREADY STARTED DISCUSSIONS WITH MOF ON THIS ISSUE THROUGH NOMURA SECURITIES CO, THE PLANNED MANAGING UNDERWRITER FOR THE BOND ISSUE. SEARS BOND ISSUE, IF WORKED OUT, WOULD REPORTEDLY AMOUNT TO YEN 30-40 BIL AND WOULD BE OFFERED IN JULY OR AUG. UNDER NEW LEGISLATION EFFECTIVE MARCH 31, 1978, INTEREST ON FOREIGN PRIVATE YEN BOND ISSUES WILL BE GIVEN THE SAME TAX TREATMENT AS INTEREST ON FOREIGN PUBLIC BOND ISSUES. INTEREST EARNINGS ON UP TO 3 MIL YEN CAPITAL VALUE OF FOREIGN YEN BONDS WILL NOW BE TAX EXEMPT, WHETHER PRIVATE OR PUBLIC. PREVIOUSLY ONLY PUBLIC BOND ISSUES CARRIED THE TAX EXEMPTION.

12. FOLLOWING ARE REVISED QUARTERLY DATA ON LABOR CONDITIONS, S.A., FOR 1976 AND 1977 (TOKYO 4606, PARA 7):
UNCLASSIFIED

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PAGE 02 TOKYO 06270 03 OF 03 120932Z

JEI NO(NOTES) 385 401 378 379

1976:JAN-MAR 0.61 121.7 1,070 2.0

- APR-JUNE 0.64 130.7 1,110 2.1

- JUL-SEP 0.67 135.2 1,090 2.0

- OCT-DEC 0.64 138.7 1,050 1.9

1977:JAN-MAR 0.61 142.3 1,040 1.9

- APR-JUNE 0.56 141.6 1,110 2.0

- JUL-SEP 0.53 136.6 1,130 2.1

- OCT-DEC 0.53 139.4 1,130 2.1

NOTES: JEI NO 385: JOB OFFERS/APPLICANTS RATIO

JEI NO. 401: MFG. OVERTIME (1975 EQUALS 100)

JEI NO. 378: UNEMPLOYED (THOUSANDS)

JEI NO. 379: UNEMPLOYMENT RATE (PCT)

MANSFIELD

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC GROWTH, ECONOMIC REPORTS, YEN (CURRENCY), ECONOMIC TRENDS
Control Number: n/a
Copy: SINGLE
Draft Date: 12 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978TOKYO06270
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780176-1131, D780157-0159
Format: TEL
From: TOKYO EEC USEEC
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780463/aaaacbcd.tel
Line Count: 333
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Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
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TAGS: EFIN, JA
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